
**Child Support Enforcement
Program
Action Transmittal**

U.S. Department of
Health and Human Services
Administration for Children & Families
Office of Program Support
Office of Child Support Enforcement
Washington, D.C. 20447

Transmittal No. OCSE-AT-96-10

Date: December 23, 1996

TO: STATE AGENCIES ADMINISTERING THE CHILD SUPPORT ENFORCEMENT PROGRAM UNDER TITLE IV-D OF THE SOCIAL SECURITY ACT AND OTHER INTERESTED INDIVIDUALS AND ORGANIZATIONS

SUBJECT: Availability of Federal Financial Participation at an Enhanced Rate Under the Provisions of the "Personal Responsibility and Work Opportunity Reconciliation Act of 1996."

PURPOSE: The purpose of this Action Transmittal (AT) is to inform States of the availability and limitations of receiving Federal funding at the 90 percent and 80 percent Federal financial participation (FFP) rates for costs incurred in developing and implementing an automated child support enforcement system (CSES).

BACKGROUND: Beginning in fiscal year 1982, FFP at an enhanced rate of 90 percent was first made available to State agencies for expenditures incurred in the development and implementation of a CSES.

With the enactment of the "Family Support Act of 1988" (P.L. 100-485), States were required to have an operational CSES, certified by OCSE as meeting the requirements specified in that statute, no later than October 1, 1995. This statute also provided that Federal funding at the 90 percent FFP rate for ADP development and implementation costs would continue only through September 30, 1995.

P.L. 104-35 extended the deadline for implementing a certified, operational CSES by two years, until October 1, 1997. This statute did not extend the availability of FFP at the 90 percent rate.

The "Personal Responsibility and Work Opportunity Reconciliation Act of 1996" (PRWORA; P.L. 104-193), reinstated FFP at the 90 percent rate, with limits, retroactive to October 1, 1995 and through September 30, 1997 to enable States to complete the development and implementation of a CSES that meets the requirements of the Family Support Act.

PRWORA also specified additional requirements to be included in a State CSES no later than October 1, 2000. Under PRWORA, a limited amount of Federal funds will be allocated to each State and will be available at the 80 percent FFP rate to assist in meeting these additional requirements.

SYSTEM

REQUIREMENTS: States must continue their efforts to develop and implement a CSES in accordance with an approved APD. These systems must meet the requirements initially described in the Family Support Act and subsequent legislation, and reiterated and expanded in PRWORA. Federal funding for these efforts is available at the 90, 80 or 66 percent FFP rates in accordance with specific Federal limitations, statutes and regulations.

To determine whether the State meets Federal requirements, ACF continues to encourage the use of an optional two-level system certification process. A Level 1 (pilot site) review can be requested after the CSES has been implemented in at least one pilot site. A Level 2 (Statewide & fully operational) review should be requested after the CSES has been implemented Statewide, including the conversion of all IV-D cases. On-site technical assistance and functional reviews using test data may also be requested by States.

Prior to ACF scheduling a date for either a Level 1 or Level 2 review, the State must submit documentation indicating that its CSES meets all the certification requirements under the Family Support Act. This documentation includes the State's responses to the Child Support Systems Certification Questionnaire and the results of the Financial Distribution Test Deck (revised September 1995). A similar process will be used for determining whether a State meets the systems requirements that must be met by October 1, 2000.

The enactment of PRWORA added some new system requirements, most are complementary enhancements to those imposed under the Family Support Act. However, the new statute has several system requirements that conflict with current implementation plans, most notably changes to the distribution of child support collections, including the determination of the Federal share of collections, and the elimination of the requirement to distribute the "\$50 pass-through" portion of a child support collection. (A State may elect to continue the "pass-through" distribution using only State funds.)

States should be aware that ACF will continue to use the Financial Distribution Test Deck during certification reviews. However, since many of the scenarios contained in the Test Deck include the distribution of support for assistance cases and the distribution of a pass-through amount, the change in distribution for assistance cases, effective October 1, 1996 will cause these scenarios to no longer be accurate. Therefore, prior to its certification review, a State must advise ACF whether it has implemented distribution changes in its system, opted to continue to make the pass-through payment with only State funds and whether it has opted to implement any other of the changes to the distribution process enacted in Section 302 of PRWORA, prior to the October 1, 1997, deadline for meeting all Family Support Act requirements.

In accordance with Section 344(a)(3) of PRWORA, ACF is developing Federal regulations for the implementation of the requirements mandated by Section 454A of the Social Security Act.

ACF will revise the existing OCSE publication, "Automated Systems for Child Support Enforcement: A Guide for States" through the issuance of a series of ATs to explain the new and revised CSES functional requirements. Each AT will be circulated in draft form for review and comments by the States before a final document is issued.

Any State with questions concerning specific functional requirements in light of the enactment of PRWORA should submit a written request for an interpretation to ACF, including a proposed alternative. ACF will provide a written response to these requests.

**90 PERCENT
FFP RATE:**

Funding Availability and Limitations: The availability of Federal funding at the 90 percent FFP rate is limited as follows:

1. Federal funding at the 90 percent FFP rate is available only for costs incurred by States to meet the development and implementation requirements of the Family Support Act and only for those costs included in an approved Advanced Planning Document (APD) submitted by the State on or before October 1, 1995. States may not amend their APDs to request additional Federal funding at the 90 percent rate.
2. Additional costs that may have been incurred by renegotiations with contractors or increased State labor costs associated with extending the time to complete system development and implementation after September 30, 1995, are not eligible for funding at the 90 percent FFP rate, but remain eligible for funding at the 66 percent FFP rate.
3. Operational costs incurred after September 30, 1995, including those incurred by certified systems, are not eligible for funding at the 90 percent FFP rate, but remain eligible for funding at the 66 percent FFP rate.
4. Amounts claimed for depreciation of hardware and allocated to quarters beginning on or after October 1, 1995, are not eligible for funding at the 90 percent FFP rate, but remain eligible for funding at the 66 percent FFP rate.

Cost Approval: Prior to claiming costs at the 90 percent FFP rate, a State must send a letter to ACF that states the amount of funding being requested and provides the citation(s) from the State's APD (submitted on or before October 1, 1995) that supports this request. States are not required to submit either an Advanced Planning Document Update (APDU) or an As-Needed APDU for approval for claims for Federal funding at the 90 percent FFP rate for system development costs incurred on or after October 1, 1995. The letter should be sent to:

Director, Office of State Systems
Attn: Director, State Systems Policy Staff
Administration for Children and Families
Hubert H. Humphrey Building, Room 334F
200 Independence Avenue, S.W.
Washington, D.C. 20201

Claim Submission: Once confirmed by ACF as being eligible under PRWORA for funding at the 90 percent FFP rate, the claim for those costs must be included by the State on its quarterly submissions of Form OCSE-131, Part 1. Any portion of these expenditures previously claimed for Federal funding at the 66 percent FFP rate may be reclaimed as a prior quarter adjustment at the higher rate.

Amounts must be reported on Line 5 as either a current quarter (col. a) or prior quarter (col. b) "ADP Developmental Expenditure," as appropriate. Claims of prior quarter adjustments must also be accompanied by the usual submission of Form OCSE-131, Part 2.

Effective Date: Within the guidelines and limitations discussed above, expenditures made from October 1, 1995 through September 30, 1997, inclusive, are eligible for Federal funding at the 90 percent FFP rate for both current quarter claims and prior quarter adjusting claims submitted on or after August 22, 1996.

**80 PERCENT
FFP RATE:**

Funding Availability and Limitations: The availability of Federal funding at the 80 percent FFP rate is limited as follows:

1. Under Sections 455(a)(3)(B)(i) and (ii) of the Social Security Act¹, Federal funding at the 80 percent FFP rate is available for costs incurred by States to meet the new development and implementation requirements of PRWORA and the requirements initially found in the Family Support Act and reiterated in PRWORA.
2. Under Section 454(16) of the Social Security Act², each State must incorporate into its CSES, the program management and other requirements specified at Section 454A of the Social Security Act³. Federal funding at the 80 percent FFP rate is available to meet these requirements.
3. Section 344(b)(2)(A) of PRWORA limits the aggregate amount of Federal funds for expenditures eligible for funding at the 80 percent FFP rate to \$400 million. In accordance with the statute, ACF will publish regulations providing

¹ As added by Section 344(b)(1)(B) of PRWORA.

² As amended by Section 344(a)(1) of PRWORA.

³ As added by Section 344(a)(2) of PRWORA.

the State-by-State allocation of the available funding. In recognition of the need to begin implementation or enhancement projects as soon as possible, ACF will provide interim approval of State requests for Federal funding at the 80 percent FFP rate, subject to possible later adjustment when each State's allocation is known. If a State is unable to complete its project within its allocated amount, any additional approved expenditures remain eligible for Federal funding at the regular 66 percent FFP rate.

4. States are reminded that the availability of Federal funding at the 80 percent rate is limited. Therefore, any decision to use these funds to complete the system implementation requirements of the Family Support Act may result in a substantial portion of the expenditures incurred to meet the system requirements of PRWORA being claimed at the 66 percent FFP rate.

5. Under Section 454(24)(B) of the Social Security Act⁴, the new CSES requirements must be implemented no later than October 1, 2000. However, under Section 455(a)(3)(B)(i) of the Social Security Act, Federal funding at the 80 percent FFP rate remains available through September 30, 2001. Therefore, for these expenditures, the practice of permitting States to establish escrow accounts for contractual holdback payments is unnecessary and will not be available.

6. Operational costs, including those incurred by certified systems, are not eligible for funding at the 80 percent FFP rate, but remain eligible for funding at the 66 percent FFP rate.

7. Under Sections 454B and 453A of the Social Security Act⁵, States are required to implement a State Disbursement Unit and a State Directory of New Hires. There is no requirement that these be developed as an integrated part of a State's CSES; they may be separate units that interface with a State's CSES. When developed as part of the CSES, Federal funding will be available at the 80 and 66 percent FFP rates. When developed under contract with an outside agency or organization, Federal funding at the 80 percent FFP rate is only available for costs associated with developing and implementing the necessary interface between CSES and the other system. Any costs associated with a contract, service agreement or cooperative agreement with an outside agency or organization to develop and/or operate a State Disbursement Unit or State Directory of New Hires are only eligible for Federal funding at the 66 percent FFP rate.

⁴ As amended by Section 344(a)(4) of PRWORA.

⁵ As added by Sections 312(b) and 313(b) of PRWORA.

8. Under Section 454A(e) of the Social Security Act⁶, States are required to develop a State Case Registry. To fully accomplish this requirement and the requirements to implement a State Disbursement Unit, States will maintain records on certain non-IV-D child support cases and on the collection and disbursement of certain non-IV-D child support collections. Federal funding is available at the 66 percent FFP rate for the costs of collecting, recording and maintaining in the State Case Registry records of all child support orders established or modified in a State on or after October 1, 1998. Federal funding is also available at the 66 percent FFP rate for the costs of collecting, recording and maintaining records of all collections and disbursements processed through the State Disbursement Unit for any support paid through income withholding for cases with orders issued on or after January 1, 1994.

Cost Approval: Each State must determine whether the new (Section 454A) requirements can be met as an enhancement of its existing CSES or whether the development of a new system is required.

For any State that is able to enhance an existing system, the addition of the new requirements may be treated as a continuation of the existing CSES project. These States must each submit an Implementation APDU Update that combines all current automation requirements, including those contained in the Family Support Act and all applicable subsequent legislation, including PRWORA.

Any State that determines that its existing system cannot be modified to meet the new PRWORA requirements, must transfer or develop a new system. These States must each submit a separate planning APD.

Either submission must include a thorough explanation of the planned enhancement or development and a delineation of which expenditures will be claimed at the different FFP rates.

If a State has previously received approval for Federal funding at the 66 percent FFP rate for costs that were included in an approved APD and which are now eligible for the 80 percent FFP rate, the State must send a letter to ACF that states the amount of additional funding being requested and provides the citation(s) from the State's APD that supports this request. States are not required to submit either an Advanced Planning Document Update (APDU) or an As-Needed APDU for these claims.

The Implementation APDU, APD or letter should be sent to:

⁶ As added by Sections 311 and 312(b) of PRWORA.

Director, Office of State Systems
Attn: Director, State Systems Policy Staff
Administration for Children and Families
Hubert H. Humphrey Building, Room 334F
200 Independence Avenue, S.W.
Washington, D.C. 20201

Claim Submission: In accordance with an approved APD or APDU, the State must include its claim for those costs eligible for Federal funding at the 80 percent FFP rate on its quarterly submissions of Form OCSE-131, Part 1. Any approved amounts previously claimed (in FY 1996) for Federal funding at the 66 percent FFP rate may be reclaimed as a prior quarter adjustment at the higher rate.

ACF anticipates that a revised financial reporting form will be available shortly. In the interim, the amount must be included on Line 7 ("Other ADP Expenditures") as either a current quarter expenditure (col. a) or as a prior quarter adjustment (col. b), as appropriate. The amount reported on Line 7 must be annotated with a footnote to indicate the portion claimed at the enhanced 80 percent FFP rate and the portion claimed at the regular 66 percent FFP rate. To determine the Federal Share of Expenditures, as reported on Line 10, the separate portions of the amount on Line 7 must be multiplied by 80 percent or 66 percent, as applicable.

Claims of prior quarter expenditures must also be accompanied by the usual submission of Form OCSE-131, Part 2.

Effective Date: Within the guidelines and limitations discussed above, expenditures made from October 1, 1995 through September 30, 2001, inclusive, are eligible for Federal funding at the 80 percent FFP rate for both current quarter claims and prior quarter adjusting claims submitted on or after August 22, 1996.

INQUIRIES:

ADP System Inquiries: Director, Office of State Systems.

Financial Inquiries: ACF Regional Representative.

_____/s/
David Gray Ross
Deputy Director
Office of Child Support Enforcement

_____/s/
Norman L. Thompson
Director
Office of Program Support

